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C O N F I D E N T I A L ANKARA 000400

SIPDIS

STATE FOR E, EB/CBED, EB/ESC, EUR/SE, NEA/NGA  
STATE PASS NSC FOR QUANRUD AND BRYZA  
USDOC FOR 4212/ITA/MAC/OEURA/CPD/DDEFALCO  
USDOE FOR PUMPHREY/ROSSI

E.O. 12958: DECL: 01/16/2013

TAGS: [ENRG](#) [ECON](#) [EPET](#) [ETTC](#) [IZ](#) [AJ](#) [GG](#) [KZ](#) [TU](#) [UNSC](#)

SUBJECT: TURKISH OFFICIALS QUESTION IRAQ IMPACT ON ENERGY INTERESTS

Classified by DCM Robert Deutsch, Reason 1.5 (b,d)

1. (C) Summary: Turkish officials have begun to ask about the potential impact of an Iraq operation on Turkish energy interests, raising with us the possible effect on BTC, Shah Deniz, the Kirkuk-Ceyhan pipeline, and Turkey's oil supply. BOTAS is worried about the potential impact on Iskenderun port, where all BTC pipe is scheduled to be delivered and stored. End summary.

2. (C) Recent conversations with and quotes from Turkish government officials indicate that they are starting to focus more on the potential impact of an Iraq operation on Turkish energy interests. In his December 27 meeting with Treasury U/S Taylor and U/S Grossman, State Minister Babacan expressed concern about the potential impact of an Iraq operation on the Baku-Tbilisi-Ceyhan (BTC) and Shah Deniz pipelines, as well as on the Kirkuk-Ceyhan oil pipeline. Other GOT officials have expressed concern about the possibility of an interruption in oil supplies.

3. (C) BOTAS General Manager Bildaci asked econoff January 6 if there was anything the U.S. could share regarding the potential impact on Iskenderun port in the event of an Iraq operation. Bildaci noted that delivery of pipe for the BTC pipeline is scheduled to begin in mid-February and continue throughout 2003. All pipe is scheduled to be delivered and stored at Iskenderun port. Bildaci said that BTC Co had asked BOTAS to agree to use other ports for pipe delivery and storage in the case of an Iraq operation. He said agreeing to this proposal would involve delays, contractual issues, higher costs, and other operational issues. On the other hand, Bildaci said, if an Iraq operation resulted in restrictions on his use of Iskenderun port, he would face the same problems.

4. (C) We told Bildaci we could not assess the potential impact of an Iraq operation in a particular port for him, recommending that he consult with Turkish MFA and military officials. Regarding concerns about an interruption in oil supply, we note that, according to the International Energy Agency( IEA), as of October 1, 2002, Turkey's emergency oil reserves were at 96 days of net import coverage (in days of 2001 Net Oil Imports), surpassing IEA's recommended net import coverage of 90 days. Ministry of Energy officials claim that Turkey is currently at a net import coverage of approximately 104 days.

5. (C) Comment: The GOT may be concerned about a possible cut-off of Middle East Oil, but they appear to have adequate reserves to cover all but the most pessimistic scenarios. BOTAS has a clear interest in keeping BTC costs down -- if the price tag comes in under the USD 1.4 billion turnkey contract fee, BOTAS keeps the profits. Still, even though Bildaci is motivated in part by the bottom line, his concerns about possible delays in BTC likely are genuine. End comment.  
PEARSON